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The Neo-Industrialization of Surprising Sectors



*From art to indoor farming: surprising sectors industrialize now. Asia could lead the way, but Europe could be the surprising hot spot for this new reality, writes **Thomas SEVCIK**, CEO of frontier strategist arthesia and XanaduAlpha who spends his time in and between Zurich, Los Angeles and Hong Kong.*

For many decades there was a clear line between what can be industrialized and what will stay fragmented, artisan, local, pre-industrial so to say. The culture sector has always been an area where “industrialized” was not only strange, but even seen as negative. So was agriculture. Despite industrialized “agribusiness” in a few places such as California or in then-existing communist countries farming was seen as entrepreneurial, individual, self-organized and local.

The first changes to this reality happened in the 1980s: among others the music sector industrialized. This was mostly due to two key developments: inventions such as the Sony Walkman or the CD as well as the rise of cable television and subsequently music videos (i.e. MTV). Many people in the music sector balked at these developments, but ultimately big, industrialized music labels and cable TV giants prevailed.

The same is now happening in the art sector. Art has traditionally been a sector with an almost feudalistic structure. Artists were represented (read: “owned”) by a gallerist and the gallerist would sell to a relatively small group of collectors. Additionally, the sector always had a strong non-profit element. But this is about to change. This time it is a combination of urbanization and digitalization with a strong Asian ingredient driving this change.

The industrialization of the art sector happens along the lines of more access for a much wider audience and a reshuffling of the traditional business models. Wider audiences – whether physical or digital – will mean a shift away from “free entry” covered ultimately by

wealthy collectors towards a subscription and admission-based model. Reshuffling means the “middle-man” (read: galleries) comes under pressure and – to a certain degree – auction houses. If art should and will become a more common asset class the opaque system of galleries and auction houses will be challenged by data-driven pricing, open-access as well as blockchain-based tokenization markets.

The industrializing art sector also means the proliferation of “category killers”: large, global platforms where art is entertainment, experience and – ultimately – an asset. Frontrunners for these future positions of high profitable mega-platforms are global art fair brands such as ArtBasel or Frieze. Being globally recognized art brands, they have the potential to grow into such powerful commercial platforms. From this perspective ArtBasel as well as Frieze (and to a lesser extent smaller outlets such as ArtGeneve or FIAC) are currently massively undervalued and thus could become easy targets for hedge funds and activists.

Asia is leading the way in two crucial areas of the art sector: commercial physical art platforms such as Hong Kong-based K11 mix art with retail, living, office and much more. And Asia was early in looking for alternative ways to the traditional artist/gallerist model. Many young Asian artists are selling directly via social media and ecommerce-platforms. The rise of immersive art (digitally created art experiences in indoor spaces) was led by artists such as Tokyo-based TeamLab. Real estate developers act as museum curators and collectors interact directly with artists.

But art is not the only sector witnessing industrialization. Data storage is about to be industrialized, the same happens with organic food (look at 2MX, the large organic-food-SPAC initiated by French industrialists). A particularly interesting area is indoor farming. Urbanization and technological progress enable an entire new industry to flourish: extremely efficient farming in large warehouses. Pushed by smart sensors, perfect conditions and the massive rise in powerful but cheap LED lighting “indoor (or urban) vertical farming” is a new industry where VCs are now looking for the next unicorns.

The efficiency is staggering: 1 hectare of indoor vertically grown rocket salad (rucola) yields a harvest equivalent to 160 hectares of traditional farmland. Harvest at indoor vertical farms is 24/7 – even in winter when normally grown produce has to be hauled or flown in from Spain or California. For cities and urban areas this means a new way to reuse many old warehouses, industrial halls and – once efficiency progressed even further – empty office buildings.

As with art Asia is again playing a leading role: in city-states such as Singapore or Dubai the idea of indoor vertical farming has now elevated to a strategic item of long-term government initiatives. The prospect of year-round, near, local quality products such as salads, berries, herbs, seafood (“aquaponics”) is key for a sovereign city-state. Indoor vertical farming strengthens resilience and – at least to a certain point – independence. Once the first Asian cities will de-industrialize like their European peers did in the 1970s/80s, many new warehouses, industrial halls and brownfields will become available for indoor vertical farming. This will enable further urbanization by reducing the dependence on classic farmland.

The same is true for Europe. Many agricultural regions in Europe are heavily subsidized and work based on a pre-industrial model. While this might be attractive in areas such as specialized food (“terroir”), agri-tourism or by cultivating plants not suitable for indoor farming such as trees or large bushes (too big or awkward so to say) the bulk of our green

food revolution will come from indoor vertical farms. Besides cities these indoor farms could also revitalize stagnant post-industrial valleys such as Glarus in Switzerland, areas around Metz/Lotharingia in France as well as Saarland or the Rhine-Ruhr-Area in Germany.

What art and farming have in common is simple: technology and urbanization create business models previously unthinkable. Who had imagined that one day people will pay expensive tickets to experience immersive art in an old warehouse? Or that in the same old warehouse farming takes place producing amounts of food equivalent to the harvest of square-kilometers of farmland?

The romantic notion of art as a pure, low-profit, local, authentic world or the idea of agriculture being a low-tech, small-farmer-driven activity based on open fields are being challenged by powerful new ideas. Industrialization is taking place in surprising areas. Let's be part of it, embrace it and make the most out of it.



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